

[REDACTED] is a major event which involves traveling in a caravan from [REDACTED] and other points to [REDACTED]. The registration fees are \$[REDACTED] per single and \$[REDACTED] per couple for members and \$[REDACTED] per single and \$[REDACTED] per couple for non-members. This event also includes the sale of accessories to participants.

[REDACTED] is published 10 times a year with a circulation to all club members as well as to other neighboring clubs. The purpose of this publication is to provide members and non-members with information concerning upcoming club and car-related events, social items, articles about members and sponsor advertising. The costs of the sponsor ads are \$[REDACTED] for a quarter page, \$[REDACTED] for a half page and \$[REDACTED] for a full page. These ads are placed by members and non-members alike and are generally advertising the sponsors place of business.

Your organization is a membership organization. Membership is open to any person who pays the annual dues as set by the Board of Directors. The membership dues are \$[REDACTED] for a single person and \$[REDACTED] for a couple.

Section 501(c)(7) of the Code provides for exemption from Federal Income Tax of clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations provides that section 501(c)(7) of the Code applies only to clubs which are organized and operated exclusively for pleasure, recreation and other nonproftable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues, and assessments.

Rev. Rul. 65-63, 1965-1 C.B. 240, states that a non profit organization which, in conducting sports car events for the pleasure and recreation of its members, permits the general public to attend such events for a fee on a recurring basis and solicits patronage by advertising, does not qualify for exemption as a club organized and operated exclusively for pleasure, recreation and other nonprofit purposes under 501(c)(7) of the Internal Revenue Code of 1954.

Your organization's pleasure activities which are open to members and non-members are held in a public place and tickets are sold to the general public, which details all of your activities, to encourage attendance at your clubs, thereby soliciting non-members participation in your organization's activities. Your publication also contains advertisements or notices that are owned by members and non-members. You are, therefore, promoting the private business interests of your members.

It appears that your transactions with outside organizations are of such magnitude and recurrence as to be more than merely incidental or in furtherance of your general club purposes. Accordingly, we conclude that by making your social facilities available to the general public through your member-sponsored arrangement, you are not operating exclusively for pleasure and other non-profitable purposes.

Since the general public is invited to your social and recreational events and your receipts therefrom are a substantial part of your total income, it is evident that you are not operating as a social club within the intentment of Section 501(c)(7) of the Code.

Accordingly, we hold that you are not entitled to exemption from Federal Income Tax as an organization described in section 501(c)(7) of the Code. You are required to file Federal income tax returns annually with your District Director.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If you agree with this determination please sign and return the enclosed Form 6018.

Sincerely yours,


District Director

ENCLOSURES: PUBLICATION 892
FORM 6018